

CONSOLIDATED BALANCE SHEET

Unaudited
June 30, 1976
(with comparative figures as at December 31, 1975)

ASSETS

	1976 \$000's	1975 \$000's
Revenue producing real estate	36,563	35,748
Construction in progress	13,788	13,633
Land held for and under development	42,905	38,250
Accounts and mortgages receivable	12,755	11,431
Deferred currency adjustment	1,778	1,948
Other assets	1,106	1,132
Cash	1,458	2,334
	110,353	104,476

LIABILITIES

Mortgages payable on revenue producing real estate	29,506	27,403
Other loans and mortgages payable	30,572	26,177
Sinking fund debentures	11,756	13,463
Bank indebtedness	5,367	3,896
Accounts payable and accrued liabilities	7,002	7,639
	84,203	78,578
Deferred income	3,353	3,133
Deferred income taxes	2,361	2,255
	89,917	83,966

SHAREHOLDERS' EQUITY

Capital stock	27,324	27,324
Deficit	(6,888)	(6,814)
	20,436	20,510
	110,353	104,476

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Unaudited
Six Months Ended June 30, 1976
(with comparative figures six months ended June 30, 1975)

SOURCE OF FUNDS

	1976 \$000's	1975 \$000's
Net income (loss)	(74)	170
Items not involving funds		
Depreciation	550	471
Deferred income	220	(69)
Deferred income taxes	106	154
Other	170	64
Funds from operations	972	790
Net changes in:		
Bank loans	926	837
Loans and mortgages payable	6,498	3,670
	8,396	5,297

APPLICATION OF FUNDS

Net changes in:		
Investment in revenue producing real estate	1,365	3,345
Construction in progress and land held for and under development	4,810	3,486
Other assets and liabilities	1,935	(1,526)
Sinking fund debentures	1,707	118
	9,817	5,423

DECREASE IN FUNDS

	1,421	126
	8,396	5,297



The attached unaudited statements show the results of our Company's operations for the six months ended June 30, 1976. Net profit before taxes was \$32,000 in 1976 as compared to \$342,000 in 1975. Income taxes have been provided for at a higher rate than might have been expected, due to an item included as an expense which is not allowed as a deduction from taxable income, so the net result was a loss of \$74,000 for six months as compared to a profit of \$170,000 in 1975.

Gross revenue from all sources was \$14,508,000 in 1976 as compared to \$9,792,000 in 1975. This increase was primarily due to our increased activity in construction and real estate held for development, which was \$7,929,000 in 1976 as compared to \$2,083,000 in 1975. This trend we expect to continue.

Rental incomes were \$6,045,000 in 1976 as compared to \$5,502,000 in 1975. Gross profit from rental operations was lower as a result of significant increases in taxes and energy costs and a reduction of the proportionate amount of income from net leases. We anticipate a steady growth of gross profits from these rental operations as leases are renewed and buildings presently under construction become revenue producing.

There were no sales of revenue producing buildings in the first half as compared to \$1,757,000 worth of sales in 1975. However, there will be sales of revenue producing buildings in the second half of this year.

In 1975 sales in real estate and construction were essentially from the sale of land, whereas in 1976 the sales of land were very minimal. Our first phase of the subdivision of our joint venture in Oakville was finally registered in March 1976 and we expect to be able to report profits from this joint venture in the second half of 1976.

Total gross profits from all our activities were \$2,911,000 in 1976 as compared to \$2,614,000 in 1975. Approximately \$400,000 of this gross profit has been deferred as the Company will lease, at least for five years, certain buildings currently being constructed under contract.

The real estate industry is experiencing challenging times. We have rent controls affecting our residential buildings in Ontario and other areas in Canada. The federal government has introduced anti-inflationary legislation which, at this point in time, has not been finalized. Final regulations relating to the profits on the sales of land and construction are yet to be issued.

There is continuing frustration and time delay in processing land to bring it to market, which is inhibiting the ability of the industry to produce enough serviced lots to satisfy demands. On the other hand, completed homes are moving slowly and there is a large supply of homes in various stages of construction on the market. The interest rates are extraordinarily high which makes it very difficult for the consumer to carry the cost of a new home.

In spite of all these problems, we are cautiously optimistic about the future growth of your Company.

Toronto
August 18, 1976

MAXWELL GOLDHAR
President

revenue properties company limited
and subsidiaries and joint ventures

CONSOLIDATED STATEMENT OF INCOME

Unaudited
Six Months Ended June 30, 1976
(with comparative figures six months ended June 30, 1975)

	1976 \$000's	1975 \$000's
Rental Operations		
Rental income	6,045	5,502
Property operating expenses	4,099	3,498
Depreciation	550	471
Gross profit	1,396	1,533
Revenue producing real estate		
Sales	—	1,757
Cost of sales	—	1,478
Gross profit	—	279
Construction and real estate held for development		
Sales	7,929	2,083
Cost of sales	6,948	1,731
Gross profit	981	352
Interest and other income	534	450
Gross profit from operations	2,911	2,614
Deduct: Interest expense net of amount capitalized	1,670	1,461
Administration and general expenses	989	880
Net transfer to (from) deferred income	220	(69)
Income before income taxes	32	2,272
Income taxes		342
Current	—	18
Deferred	106	154
Net income (loss)	(74)	170
Earnings (loss) per share	(.5¢)	1.2¢
CONSOLIDATED STATEMENT OF DEFICIT		
Unaudited		
Six Months Ended June 30, 1976 (with comparative figures six months ended June 30, 1975)		
	\$000's	\$000's
Deficit at beginning of year	6,814	7,464
Net income (loss) for the six months	(74)	170
Deficit at end of period	6,888	7,294